

*Township of Richland*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2008*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Township of Richland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Richland, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Richland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Richland, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Richland, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.



1958-2008

Board of Trustees  
Township of Richland, Michigan  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Richland, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

July 23, 2008

## **BASIC FINANCIAL STATEMENTS**

**Township of Richland**  
**STATEMENT OF NET ASSETS**  
 March 31, 2008

	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,652,190
Receivables	<u>147,165</u>
Total current assets	<u>1,799,355</u>
Noncurrent assets:	
Receivables	25,240
Capital assets not being depreciated - land	358,242
Capital assets, net of accumulated depreciation	<u>2,035,993</u>
Total noncurrent assets	<u>2,419,475</u>
Total assets	<u>4,218,830</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	43,738
Contract payable	<u>25,241</u>
Total current liabilities	68,979
Noncurrent liabilities - contract payable	<u>25,240</u>
Total liabilities	<u>94,219</u>
<b>NET ASSETS</b>	
Invested in capital assets	2,394,235
Restricted for:	
Public safety	6,216
Capital improvements	783,244
Unrestricted	<u>940,916</u>
Total net assets	<u>\$ 4,124,611</u>

See notes to financial statements

**Township of Richland**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

		<u>Program revenues</u>			<u>Net (expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>revenues and</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>	<u>changes in</u>
<b>Functions/Programs</b>			<u>contributions</u>	<u>contributions</u>	<u>Governmental</u>
Governmental activities:					<u>activities</u>
Legislative	\$ 3,528	\$ -	\$ -	\$ -	\$ (3,528)
General government	442,859	127,958	-	-	(314,901)
Public safety	356,167	108,463	1,911	1,480	(244,313)
Public works	58,281	86,657	4,808	-	33,184
Community and economic development	41,974	8,100	-	-	(33,874)
Recreation and culture	140,909	4,213	-	-	(136,696)
Interest on long-term debt	<u>6,433</u>	<u>-</u>	<u>-</u>	<u>6,433</u>	<u>-</u>
Total governmental activities	<u>\$1,050,151</u>	<u>\$ 335,391</u>	<u>\$ 6,719</u>	<u>\$ 7,913</u>	<u>(700,128)</u>
General revenues:					
State shared revenue					403,279
Property taxes					273,556
Unrestricted interest income					46,975
Cable franchise fees					<u>36,691</u>
Total general revenues					<u>760,501</u>
Change in net assets					60,373
Net assets - beginning					<u>4,064,238</u>
Net assets - ending					<u>\$ 4,124,611</u>

See notes to financial statements

**Township of Richland**  
**BALANCE SHEET - governmental funds**  
March 31, 2008

	<b>Major funds</b>			
	<b>General</b>	<b>Fire</b>	<b>Water Improvement</b>	<b>Sewer Debt Service</b>
<b>ASSETS</b>				
Cash	\$ 739,224	\$ 422,148	\$ 353,196	\$ 595
Receivables	104,685	7,900	-	57,220
Due from other funds	1,125	-	-	-
<b>Total assets</b>	<b>\$ 845,034</b>	<b>\$ 430,048</b>	<b>\$ 353,196</b>	<b>\$ 57,815</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 36,404	\$ -	\$ -	\$ 7,334
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	50,481
<b>Total liabilities</b>	<b>36,404</b>	<b>-</b>	<b>-</b>	<b>57,815</b>
Fund balances:				
Unreserved, undesignated	808,630	430,048	353,196	-
Unreserved, undesignated - reported in nonmajor special revenue funds	-	-	-	-
<b>Total fund balances</b>	<b>808,630</b>	<b>430,048</b>	<b>353,196</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 845,034</b>	<b>\$ 430,048</b>	<b>\$ 353,196</b>	<b>\$ 57,815</b>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5 ) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Certain receivables are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*



<b><i>Nonmajor governmental funds</i></b>	<b><i>Total governmental funds</i></b>
\$ 137,027	\$ 1,652,190
2,600	172,405
-	1,125
<u>\$ 139,627</u>	<u>\$ 1,825,720</u>
\$ -	\$ 43,738
1,125	1,125
-	50,481
<u>1,125</u>	<u>95,344</u>
-	1,591,874
<u>138,502</u>	<u>138,502</u>
<u>138,502</u>	<u>1,730,376</u>
<u>\$ 139,627</u>	<u>\$ 1,825,720</u>
	\$ 1,730,376
	2,394,235
	50,481
	<u>(50,481)</u>
	<u>\$ 4,124,611</u>

See notes to financial statements

**Township of Richland****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<b>Major funds</b>			
	<b>General</b>	<b>Fire</b>	<b>Water Improvement</b>	<b>Sewer Debt Service</b>
<b>REVENUES</b>				
Property taxes	\$ 394,650	\$ -	\$ -	\$ -
Licenses and permits	131,202	-	-	-
State grants	408,087	-	-	-
Charges for services	34,117	-	75,000	-
Interest and rentals	22,397	19,580	9,576	-
Other	7,479	-	-	51,175
Total revenues	997,932	19,580	84,576	51,175
<b>EXPENDITURES</b>				
Legislative	3,528	-	-	-
General government	422,977	-	-	-
Public safety	217,476	-	-	-
Public works	115,545	-	-	-
Community and economic development	41,974	-	-	-
Recreation and culture	113,706	-	-	-
Capital outlay	21,064	-	-	-
Debt service:				
Principal	-	-	-	44,742
Interest	-	-	-	6,433
Total expenditures	936,270	-	-	51,175
<b>NET CHANGES IN FUND BALANCES</b>	61,662	19,580	84,576	-
<b>FUND BALANCES - BEGINNING</b>	746,968	410,468	268,620	-
<b>FUND BALANCES - ENDING</b>	\$ 808,630	\$ 430,048	\$ 353,196	\$ -

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<b><i>Nonmajor governmental funds</i></b>	<b><i>Total governmental funds</i></b>
\$ -	\$ 394,650
1,911	133,113
-	408,087
-	109,117
10,092	61,645
-	58,654
<u>12,003</u>	<u>1,165,266</u>
-	3,528
-	422,977
491	217,967
-	115,545
-	41,974
-	113,706
-	21,064
-	44,742
-	6,433
<u>491</u>	<u>987,936</u>
11,512	177,330
<u>126,990</u>	<u>1,553,046</u>
<u>\$ 138,502</u>	<u>\$ 1,730,376</u>

See notes to financial statements

***Township of Richland***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2008*

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Net change in fund balances (page 8) - total governmental funds \$ 177,330

Amounts reported for *governmental activities* in the statement of activities  
(page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense.

Add - capital outlay	76,864
Deduct - depreciation provision	(183,821)

Because some receivables will not be collected until subsequent periods,  
they are not considered available revenues and are deferred in the  
governmental funds. Deferred revenues decreased by  
this amount in the current period. (54,742)

Repayment of principal on long-term debt is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net assets. 44,742

Change in net assets of *governmental activities* \$ 60,373

*See notes to financial statements*

**Township of Richland**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Richland, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

**Township of Richland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used to finance capital costs of the Township's fire department. The equity of the fund consists of prior year tax revenues. A separate levy is no longer assessed by the Township.

The Water Improvement Fund accounts for water system improvements within the Township that are financed through connection fees.

The Sewer Debt Service Fund accounts for the funding and payment of principal and interest on debt associated with sewer system improvements within the Township.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

**Township of Richland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) *Assets, liabilities, and net assets or equity* (Continued):**

iv) *Capital assets* - Capital assets, which include property, equipment, and infrastructure (e.g., shared roads costs and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	3 - 10 years
Vehicles	20 - 40 years
Shared road costs	7 - 20 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. There were no significant budget variations during the current fiscal year.

**Township of Richland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2008, the Township had deposits with a carrying amount of \$1,652,190 as is reported in the statement of net assets.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$1,016,338 of the Township's bank balances of \$1,696,212 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Interest</u>	<u>Accounts</u>	<u>Total</u>
General	\$ 17,756	\$ -	\$ 77,729	\$ -	\$ 9,200	\$ 104,685
Fire	-	-	-	7,900	-	7,900
Sewer Debt Service	-	57,220	-	-	-	57,220
Nonmajor funds	-	-	-	2,600	-	2,600
Totals	<u>\$ 17,756</u>	<u>\$ 57,220</u>	<u>\$ 77,729</u>	<u>\$ 10,500</u>	<u>\$ 9,200</u>	<u>\$ 172,405</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 25,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,240</u>

All receivables are considered fully collectible.



**Township of Richland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 358,242	\$ -	\$ -	\$ 358,242
Capital assets being depreciated:				
Land improvements	515,849	-	-	515,849
Buildings	1,164,744	-	-	1,164,744
Fire equipment and vehicles	1,160,629	-	-	1,160,629
Office equipment	72,263	3,612	-	75,875
Shared road costs	158,014	73,252	-	231,266
Subtotal	3,071,499	76,864	-	3,148,363
Less accumulated depreciation for:				
Land improvements	(94,399)	(25,822)	-	(120,221)
Buildings	(240,740)	(26,148)	-	(266,888)
Fire equipment and vehicles	(506,627)	(112,914)	-	(619,541)
Office equipment	(58,426)	(2,949)	-	(61,375)
Shared road costs	(28,357)	(15,988)	-	(44,345)
Subtotal	(928,549)	(183,821)	-	(1,112,370)
Total capital assets being depreciated, net	2,142,950	(106,957)	-	2,035,993
Governmental activities capital assets, net	\$ 2,501,192	\$ (106,957)	\$ -	\$ 2,394,235

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 13,752
Public safety	126,878
Public works	15,988
Recreation and culture	27,203
Total governmental activities	\$ 183,821

**Township of Richland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - NONCURRENT LIABILITIES:**

Noncurrent liabilities at March 31, 2008, are comprised of the following issue:

*Special assessment debt:*

The Township has a contractual agreement to remit to the Gull Lake Sewer and Water Authority (the Authority) all principal and interest collections arising from special assessments levied on properties served by the Authority. In the event that the Authority is unable to meet its debt service requirements, an assessment may be made against the Township. The Township has pledged its full faith and credit for the payment of its share of any such deficiency. The Township is contractually obligated to remit \$50,481 to the Authority at March 31, 2008, which is associated with sewer district #90-1.

Noncurrent liability activity for the year ended March 31, 2008, is as follows:

Beginning	\$ 95,223
Retirements	<u>(44,742)</u>
Ending	<u>\$ 50,481</u>
Due within one year	<u>\$ 25,241</u>

Debt service requirements at March 31, 2008, are as follows:

<u>Year ended March 31:</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 25,241	\$ 3,534
2010	<u>25,240</u>	<u>1,767</u>
Totals	<u>\$ 50,481</u>	<u>\$ 5,301</u>

All debt is secured by the full faith and credit of the Township.

**NOTE 7 - PAYABLES:**

Payables as of year end for the Township's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 36,404	\$ -	\$ 36,404
Sewer Debt Service	<u>-</u>	<u>7,334</u>	<u>7,334</u>
Totals	<u>\$ 36,404</u>	<u>\$ 7,334</u>	<u>\$ 43,738</u>

**Township of Richland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:**

At March 31, 2008, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ <u>1,125</u>	Nonmajor funds	\$ <u>1,125</u>

The interfund receivables of the General Fund represent temporary cash flow assistance.

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for all its elected officials through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Officials are eligible to participate from the date they are elected to office. The Township annually contributes 12% of the official's base salary or \$100, whichever is greater, and the contribution is fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for management of plan assets.

The Township made the required contributions of \$16,119 during the year ended March 31, 2008.

**NOTE 10 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2008, follows:

Revenues	\$ 92,381
Expenses	<u>92,338</u>
Excess of revenues over expenses	\$ <u>43</u>

**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## REQUIRED SUPPLEMENTARY INFORMATION

**Township of Richland**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 342,150	\$ 343,150	\$ 394,650	\$ 51,500
Licenses and permits	92,410	114,210	131,202	16,992
State grants	379,700	329,700	408,087	78,387
Charges for services	25,200	20,000	34,117	14,117
Interest and rentals	10,700	5,700	22,397	16,697
Other	2,200	2,500	7,479	4,979
Total revenues	<u>852,360</u>	<u>815,260</u>	<u>997,932</u>	<u>182,672</u>
<b>EXPENDITURES</b>				
Legislative	<u>5,400</u>	<u>5,400</u>	<u>3,528</u>	<u>1,872</u>
General government:				
Supervisor	63,400	69,000	55,207	13,793
Election	23,850	8,350	11,762	(3,412)
Assessor	91,250	78,850	67,992	10,858
Clerk	60,650	56,750	57,525	(775)
Board of review	3,075	2,925	1,883	1,042
Treasurer	61,300	55,900	56,376	(476)
Hall and grounds	69,550	89,000	56,360	32,640
Cemetery	40,700	44,800	29,077	15,723
Other	191,700	159,200	86,795	72,405
Total general government	<u>605,475</u>	<u>564,775</u>	<u>422,977</u>	<u>141,798</u>
Public safety:				
Construction code inspections	75,250	115,250	92,339	22,911
Fire protection	129,750	117,910	120,414	(2,504)
911 service	2,000	2,000	3,723	(1,723)
Marine patrol	1,000	1,000	1,000	-
Total public safety	<u>208,000</u>	<u>236,160</u>	<u>217,476</u>	<u>18,684</u>
Public works:				
Road improvements and maintenance	202,100	112,200	89,639	22,561
Street lighting	23,500	18,500	20,782	(2,282)
Recycling and waste collection	7,100	7,900	5,124	2,776
Total public works	<u>232,700</u>	<u>138,600</u>	<u>115,545</u>	<u>23,055</u>

**Township of Richland****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	<u>\$ 58,650</u>	<u>\$ 82,450</u>	<u>\$ 41,974</u>	<u>\$ 40,476</u>
Recreation and culture:				
Parks	78,900	92,400	77,015	15,385
Cable television	<u>38,000</u>	<u>42,000</u>	<u>36,691</u>	<u>5,309</u>
Total recreation and culture	<u>116,900</u>	<u>134,400</u>	<u>113,706</u>	<u>20,694</u>
Capital outlay	<u>34,000</u>	<u>24,000</u>	<u>21,064</u>	<u>2,936</u>
Total expenditures	<u>1,261,125</u>	<u>1,185,785</u>	<u>936,270</u>	<u>249,515</u>
<b>NET CHANGES IN FUND BALANCES</b>	(408,765)	(370,525)	61,662	432,187
<b>FUND BALANCES - BEGINNING</b>	<u>746,968</u>	<u>746,968</u>	<u>746,968</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 338,203</u>	<u>\$ 376,443</u>	<u>\$ 808,630</u>	<u>\$ 432,187</u>

**Township of Richland**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 10,000	\$ 10,000	\$ 19,580	\$ 9,580
Total revenues	10,000	10,000	19,580	9,580
<b>EXPENDITURES</b>				
Capital outlay	10,000	22,200	-	22,200
<b>NET CHANGES IN FUND BALANCES</b>	-	(12,200)	19,580	31,780
<b>FUND BALANCES - BEGINNING</b>	410,468	410,468	410,468	-
<b>FUND BALANCES - ENDING</b>	\$ 410,468	\$ 398,268	\$ 430,048	\$ 31,780

**Township of Richland****BUDGETARY COMPARISON SCHEDULE - Water Improvement Fund**

Year ended March 31, 2008

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Charges for services	\$ 16,880	\$ 12,880	\$ 75,000	\$ 62,120
Interest	<u>3,500</u>	<u>1,500</u>	<u>9,576</u>	<u>8,076</u>
Total revenues	20,380	14,380	84,576	70,196
<b>EXPENDITURES</b>				
Public works	<u>289,000</u>	<u>283,000</u>	<u>-</u>	<u>283,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	(268,620)	(268,620)	84,576	353,196
<b>FUND BALANCES - BEGINNING</b>	<u>268,620</u>	<u>268,620</u>	<u>268,620</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,196</u>	<u>\$ 353,196</u>



## **SUPPLEMENTARY INFORMATION**

**Township of Richland**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
 March 31, 2008

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	<u>Liquor</u>	<u>Public Improvement</u>	<u>Total nonmajor governmental funds</u>
<b>ASSETS</b>			
Cash	\$ 6,216	\$ 130,811	\$ 137,027
Interest receivable	<u>-</u>	<u>2,600</u>	<u>2,600</u>
Total assets	<u>\$ 6,216</u>	<u>\$ 133,411</u>	<u>\$ 139,627</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities -due to other funds	\$ -	\$ 1,125	\$ 1,125
Fund balances - unreserved, undesignated	<u>6,216</u>	<u>132,286</u>	<u>138,502</u>
Total liabilities and fund balances	<u>\$ 6,216</u>	<u>\$ 133,411</u>	<u>\$ 139,627</u>

**Township of Richland**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *nonmajor governmental funds***

*Year ended March 31, 2008*

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	<i><u>Liquor</u></i>	<i><u>Public Improvement</u></i>	<i><u>Total nonmajor governmental funds</u></i>
<b>REVENUES</b>			
Licenses and permits	\$ 1,911	\$ -	\$ 1,911
Interest	<u>-</u>	<u>10,092</u>	<u>10,092</u>
Total revenues	1,911	10,092	12,003
<b>EXPENDITURES</b>			
Public safety	<u>491</u>	<u>-</u>	<u>491</u>
<b>NET CHANGES IN FUND BALANCES</b>	1,420	10,092	11,512
<b>FUND BALANCES - BEGINNING</b>	<u>4,796</u>	<u>122,194</u>	<u>126,990</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 6,216</u>	<u>\$ 132,286</u>	<u>\$ 138,502</u>

July 23, 2008

To the Board of Trustees  
Township of Richland

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Richland for the year ended March 31, 2008, and have issued our report thereon dated July 23, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Richland are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Richland during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Richland's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Township of Richland as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Richland's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Richland and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*